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Public Service Commission of Wisconsin
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Public Service Commission of Wisconsin
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On behalf of Wisconsin's retail investor-owned gas and electric energy providers, the Wisconsin Utilities Association ("WUA") thanks the Public Service Commission of Wisconsin ("PSCW" or "Commission") for the continuing opportunity to participate in this docket. WUA appreciates the Commission's deliberate approach to quadrennial planning. WUA's comments on each of the topics from the phase one memo follow.

The overarching focus of WUA's comments is that Focus on Energy ("Focus") is a specific program established by the Legislature for a specific purpose, and it uses customer dollars to accomplish that purpose. In the decades since its enactment, the *focus* of Focus has been energy efficiency, not emissions reductions, and the fact that customer dollars fund the program is all the more reason to be careful about using those dollars only for their legislatively intended purpose. WUA's member utilities are making their own, significant strides towards decarbonization and it is these efforts—reliant on policy support and project approval from this Commission—that will primarily drive the State's emissions reduction goals in the utility sector. As such, shifting the focus of this longstanding program is neither necessary nor prudent.

Aligning Focus on Energy Performance Goals and Program Offerings with Decarbonization Goals

As enacted in 1983, Wis. Stat. § 196.374—the enabling statute for Focus—was directed to energy efficiency. At that time, the statute simply required each class A utility in Wisconsin to spend at least 0.5% of its total annual operating revenues “on programs designed to promote and accomplish energy conservation.” *See* 1983 WI Act 27, § 1593. Then, in 1999, the Legislature repealed and recreated the statute to establish the utility public benefits fund, held in trust for specifically stated purposes. *See* 1999 WI Act 9, § 718b (establishing fund), § 2334p (directing use of the fund for energy conservation and efficiency measures, along with low-income assistance, environmental research and development, and renewable resources).

Still more recently, in 2006, the Legislature established a separate funding mechanism for the Focus on Energy program but reiterated its directive that this statewide program focus on energy efficiency. *See* 2005 WI Act 141, § 48 (limiting utility public benefits fund to low-

income assistance), § 69 (repealing and recreating Wis. Stat. § 196.374 and requiring “energy utilities in this state” to “collectively establish and fund statewide energy efficiency and renewable resource programs”). Today, the program is still funded by customers, Wis. Stat. § 196.374(5)(a), so it remains essential to ensure that those dollars are used only as authorized by the Legislature.

Consistent with this statutory mandate, the overwhelming majority of Focus dollars currently support energy efficiency initiatives. As Table 8 in the Commission’s memorandum makes clear, nearly \$76 million (73%) of the Focus 2022 budget was allocated to core residential and business efficiency programs, with only \$5.5 million (5%) devoted to renewable programs. This is as it should be, as it shows the Focus program using customer dollars to do what it does best.

Against that backdrop, the Commission seeks input on how to prioritize the emissions reduction benefit achieved through Focus and to identify practical next steps to implement such a shift. Energy efficiency has been recognized as a cost-effective tool for reducing emissions and it is reasonable to identify it as one element that will help achieve WUA member utilities’ and the State of Wisconsin’s decarbonization goals. However, given their specific legislative mandate, Focus programs need to remain focused on energy efficiency, and are unlikely to be the primary driver to decarbonization in Wisconsin.

The fact is that member utilities are leading decarbonization efforts by setting aggressive decarbonization goals and investing in cost-effective, clean generation resources on behalf of their customers, while transitioning away from older, less-efficient fossil-fuel electric generating resources. As identified in the January 11, 2022 workshop, appropriately designed Performance Incentive Mechanisms (“PIMs”) can encourage additional utility investments in efficiency and WUA appreciates the Commission’s work in that regard as a part of the Roadmap to Zero Carbon docket (5-EI-158).

Of course, well-structured Focus programs that are consistent with Focus’s legislative mandate can certainly help with decarbonization. Focus should continue to prioritize cost-effective energy savings as its particular contribution to achieving emission reductions. Focus has the potential to improve cost-effectiveness and increase emission reductions by adding a temporal element to decisions regarding the measure mix offered. WUA, however, cautions against shifting funding from customer programming into evaluation and tracking activities. Shifting funds into evaluation and tracking diverts funds from customer programming and reduces overall program impact, including emissions reductions. Evaluation and tracking budgets should not increase; instead, budgets and scope should be assessed to ensure high-value activities are prioritized and low-value activities are discontinued.

Focus should provide balanced, consistent treatment between efficiency and renewables to contribute toward optimal emissions reductions. Consistent with Focus’s legislative mandate, in assessing the role of renewables in decarbonization within the Focus portfolio, the Commission should be mindful that as member utilities’ generation mixes change, small-scale solar photovoltaics (“PV”) systems are expected to provide significantly fewer emissions benefits than energy efficiency measures. For example, insulation will save energy when the sun is not shining, and the grid is relying on more expensive, carbon-emitting resources. Moreover, as the Cadmus Rooftop PV Potential Study confirmed, residential solar

PV does not pass the Total Resource Cost test. Efficiency measures that did not pass the cost effectiveness test were not included in the energy efficiency potential study.

Based on these factors, WUA believes Alternative Four is most appropriate given the legislative mandate of Focus. WUA also believes that if the Commission were to choose Alternative Three, that would not be inconsistent with the legislative mandate so long as the primary objective of Focus is energy savings, which may have emission reduction benefits. Such an approach would be consistent with the emission reduction reporting provided in the Focus annual evaluation reports.

Energy savings should be the primary, if not exclusive, goal of the Focus program. Tracking emissions for cost-effective energy efficiency projects is likely consistent with Focus's legislative mandate. The Commission is also advancing productive discussions through workshops in the Roadmap to Zero Carbon docket. In lieu of a facilitated stakeholder working group or separate investigation within this docket, WUA recommends building upon those discussions; this could include exploring how appropriately designed PIMs or similar mechanisms can further align additional utility investments in energy efficiency.

Electrification Programs and Offerings

The Commission also requested comments regarding using Focus on Energy to promote beneficial electrification. Electrification is only considered "beneficial" if it improves customer economics, environmental impact, or grid operations without negatively impacting the other factors.

Grid operations are location-specific and would be challenging for a statewide program to address. WUA supports thoughtful electrification, including within the transportation sector. A hybrid approach that retains the use of natural gas as a peaking electric generation resource fuel would provide flexibility needed to avoid significant cost increases. In addition, the traditional rebates that Focus provides must be paired with rate designs and demand response programs that reflect the cost to serve customers. As such, utilities are well positioned to enable and drive cost-effective, efficient electrification, help balance the potential grid and cost implications, and deploy utility-specific programs and rates to further those efforts.

WUA believes customers should be able to choose the fuel that works best for them and Focus's resources are best spent on cost-effective efficiency measures. Some efficiency measures, such as insulation and building envelop, should be prioritized because they benefit customers regardless of fuel type used. Focus can also look to opportunities for replacing inefficient technologies, perhaps by looking at hybrid technologies that are most cost effective and provide substantive emission reduction benefits.

As such, WUA supports Alternative Four related to fuel switching: the Commission should take no action. While such a transition might be viewed as supportive of current policy, fuel switching is inconsistent with the legislative mandate for Focus. As it pertains to Focus promoting electrification, the WUA supports Alternative Four as well. That alternative maintains Focus's alignment with the legislative mandate that created it.

Utility Voluntary Programs

The Commission seeks directional guidance for utility voluntary programs during the Quad IV period. The Commission memo describes several successful examples of coordination

between Focus and utilities through their voluntary programs. Utilities are always interested in bringing value to our customers and have chosen to partner with the Focus program when it is in our customers' best interest. There are many factors that go into voluntary program design and implementation. Each utility must consider its own needs, capabilities, and customer and service territory characteristics. For example, utilities may want to target usage at a certain time of day or at a specific location on their distribution systems based on the needs of their systems. Utilities may also wish to deploy targeted electrification initiatives based on their specific system needs and where substantive customer benefits will be realized.

WUA members welcome continued collaboration with Focus and support Alternative Three. While not formalized, utility collaboration with Focus has resulted in successful partnerships such as the We Energies Voluntary Design Assistance Program, NSP's Commercial and Residential Community Conservation Programs, and WPL's Enhanced Low Income Weatherization Program. Each of these programs was the result of organic collaboration between Focus and utility partners. WUA prefers individualized, utility-specific approaches because this approach has resulted in the most effective benefits for customers – those who actually provide the funds for Focus's operations and programs. A formalized process should be based on best practices, and collaborative efforts are gaining traction and yielding new learnings. Instituting a formal process now could inadvertently stifle innovation that is emerging organically. Furthermore, and as previously mentioned, properly designed PIMs could encourage more utility innovation and further investment in efficiency, and WUA commends Commission for investigating this as a part of the Roadmap to Zero Carbon docket.

Collaboration between Focus and Utility Demand Response Programs

As the Commission memo states, Focus is statutorily prohibited from load management activities and the WUA therefore supports Alternative Two. That said, utilities are actively coordinating demand response ("DR") efforts with Focus, such as NSP's AC Rewards program. Like electrification, DR has substantial impact on grid operations, making utilities the natural conduit for these initiatives. Utilities will continue to look for the most cost-effective DR solutions for our customers. This could involve coordinating with Focus or it may involve working with vendors across utility jurisdictions. Like electrification, utility-specific approaches to DR will provide the most benefit to customers whereas a statewide framework risks stifling innovation.

If the Commission wishes to encourage more DR, PIMs could be developed to support demand response and further align customer and utility interests. Focus could play a supporting role when it makes sense for utility customers.

Affordability- Low Income and Income-qualified programs and offerings

WUA supports Alternative Four, which is to maintain offering income qualified programs at the 60-80 percent statewide median income. Equity and affordability are also top priorities for WUA members, and utilities want to ensure that all customers have the option to participate in Focus programming. The best way for Focus to help all customers is to run a highly cost-effective program that offers multiple participation pathways and includes low-cost measures. Focus should be mindful of how the measure mix can improve or exacerbate customer energy burden. For example, utilities are concerned about the potential upward

pressure on rates and a disproportionate bill impact on low-income customers that will occur with high penetrations of rooftop PV.

Focus could develop KPIs related to low-income customer participation in existing offerings to ensure all customers have access by building upon the energy burden analyses that utilities are doing and emphasizing programming in areas identified as those with higher energy burdens. This does not necessarily require a separate budget carveout. Because Focus does not collect income information from participants, it is difficult to know if low to moderate income groups are represented in the current participation data. That said, making income reporting a participation requirement may deter customers from participating and be administratively burdensome. WUA would caution against spending too much money and other resources on studies of the barriers low-income customers face. These barriers are well documented, and funding would be better spent on implementing cost-effective programs as opposed to more studies.

Again, thank you for the opportunity to comment on these issues.

Sincerely,

William R. Skewes
Executive Director
Wisconsin Utilities Association, Inc.